

Message Text

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44

ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

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P R 141642Z AUG 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC PRIORITY 8235

INFO PANCANAL

USCINCSO

UNCLAS PANAMA 4287

E.O. 11652: N/A

TAGS: EFIN, ETRN, PN, PQ

SUBJECT: GOP TAX CLAIM AGAINST CANAL ZONE BUS SERVICE, INC.

REF: STATE 120023; EMBASSY A-144 OF JULY 2 AND
A-172 OF AUGUST 9, 1973

SUMMARY: PANAMA PRESS AUGUST 14 ANNOUNCES SECOND EFFORT BY GOP TO SUMMON LEGAL REPRESENTATIVE OF CANAL ZONE BUS SERVICE, INC. (CZBS) TO APPEAR IN DEFENSE OF COMPANY IN GOVERNMENT'S TAX JUDGEMENT FOR B/ 950,389, WHICH CZBS ALLEGEDLY OWES FOR BACK TAXES ON INCOME AND DIVIDENDS. PRESS REPORTS THAT GOP IS ASKING NATIONAL BAR ASSOCIATION TO NAME COUNSEL IN ABSENTIA FOR CZBS IF LEGAL REPRESENTATIVE FAILS TO APPEAR. PRESS SPECULATES THAT IF TAX SUIT FINDS IN FAVOR OF GOVERNMENT, IT WILL BE POSSIBLE TO SEIZE AND AUCTION PROPERTY OF CZBS IN SETTLEMENT OF TAX CLAIM. ACTION REQUIRED: EMBASSY URGENTLY NEEDS DEPARTMENT'S REPLY TO FONOFF NOTE NO. 231 FORWARDED UNDER A-172 OF AUGUST 9, 1973. END SUMMARY

1. LA ESTRELLA DE PANAMA, REPUBLIC'S MOST PRESTIGIOUS
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PAPER, ANNOUNCES WITH BANNER HEADLINE AUGUST 14 THAT

LEGAL REPRESENTATIVE FOR CANAL ZONE BUS SERVICE, INC. (CZBS) IS BEING SUMMONED (BY EDICT) FOR SECOND TIME IN GOP TAX SUIT AGAINST COMPANY. CZBS IS ALLEGED TO OWE GOVERNMENT B/950,389 IN BACK TAXES ON INCOME AND DIVIDENDS FOR PERIOD 1964 TO 1971. ARTICLE REPORTS THAT GENERAL OFFICE OF TAX REVENUES OF FINANCE MINISTRY (DIRECCION GENERAL DE INGRESOS) HAS ORDERED MR. JERRY GAYNOR, OR WHOEVER ACTS AS LEGAL REPRESENTATIVE FOR CZBS, TO APPEAR IN DEFENSE OF THE COMPANY IN THE TAX SUIT.

2. ARTICLE NOTES FURTHER THAT TAX REVENUE OFFICE HAS ASKED NATIONAL BAR ASSOCIATION(COLEGIO NACIONAL DE ABOGADOS) TO DESIGNATE AN ATTORNEY, WHO WILL SERVE AS DEFENSE COUNSEL FOR CZBS IN THE TAX SUIT IN EVENT THE LEGAL REPRESENTATIVES DOES NOT APPEAR WITHIN TEN DAYS COUNTING FROM THE DATE OF LAST PUBLICATION FO THE SUMMONS NOTICE. ESTRELLA COMMENTS THAT TAX REVENUE OFFICE PREVIOUSLY ORDERED LEGAL REPRESENTATIVE TO APPEAR DURING THE LATTER PART OF JANUARY 1973.

3. ESTRELLA EXPLAINS THAT TAX LIABILITY CORRESPONDS TO B/ 901,857.49 ON INCOME AND B/ 48,532.39 ON DIVIDENDS OR SHAREHOLDER PARTICIPATION IN CZBS FOR THE YEARS 1964-1971, INCLUSIVE, AND THAT TAX REVENUE OFFICE BASES ITS CASE ON FACT CZBS GENERATES INCOME FROM PANAMANIAN SOURCES ACCORDING TO MEANING OF ARTICLE 694 OF THE FISCAL CODE AND THE COMPANY IS FWT TAX EXEMPT.

4. ARICLE ALSO CARRIES TEXT OF LETTER DATED AUGUST 2, 1973 TO ROBERTO DIAZ, PRESIDENT OF NATIONAL BAR ASSOCIATION, ASKING BAR TO NAME AN ATTORNEY TO ACT AS LEGAL COUNSEL FOR THE CZBS IN THE TAX SUIT. LETTER STATES, "IN SPITE OF DIFFERENT DIPLOMATIC EFFORTS UNDERTAKEN, IT HAS NOT BEEN POSSIBLE TO LCOATE THE COMPANY'S LEGAL REPRESENTATIVE. NEVERTHELESS, WE HAVE LEARNED INFORMALLY THAT LEGAL REPRESENTATIVE IS MR. LANDIS MAJOR, RESIDENT AT NO. 84, CALLE F, CONGREJO. BASED ON THIS INFORMATION, DISTRICT TAX OFFICE PROCEEDED TO NOTIFY MR. MAJOR OF PENDING TAX ACTION. HE STATED THAT HE WAS NOT THE LEGAL REPRESENTATIVE BUT THAT MR. JERRY GAYNOR OF CALIFORNIA DID ACT IN THAT

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CAPACITY." LETTER ALSO REPEATS PART OF TAX JUDGMENT NO. 1 OF JANUARY 29, 1973, NOTING THAT, WITH EXPIRATION OF THE PERIOD DURING WHICH THE LEGAL REPRESENTATIVE MUST APPEAR, THE TAX REVENUE OFFICE WILL PROCEED WITH THE NAMING OF COUNSEL IN ABSENTIA FOR CZBS SO THAT THE TAX SUIT MAY CONTINUE. ARTICLE SPECULATES THAT SUIT MIGHT "CULMINATE IN A DECISION FAVORABLE TO THE TREASURY WITH THE RIGHT TO SEIZE AND ACUTION THE PROPERTY OF

CZBS IN SETTLEMENT OF THE TAX CLAIM."

5. ACTION REQUIRED. EMBASSY FORWARDED A-172 OF
AUGUST 9, 1973, WITH FONOFF NOTE NO. DREU-231-1406/1201-3(E)
IN REPLY TO EMBASSY NOTE NO. 112 OF JUNE 26, 1973, IN
WHICH FONOFF TOOK SHARP EXCEPTION TO DEPARTMENT'S POSITON
CONCERNING GOP LACK OF FISCAL JURISDICTION OVER CZBS. EMBASSY
NEEDS DEPARTMENT'S REPLY TO NOTE NO. 231 FORTHWITH.
THOMPSON

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